

## Message Text

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15

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01

/180 W

----- 065464

R 070742Z JUN 74

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 1052

INFO AMEMBASSY LONDON

C O N F I D E N T I A L HONG KONG 6478

DEPARTMENT PASS TREASURY

E.O. 11652: GDS

TAGS: EFIN, UK, HK

SUBJECT: HONG KONG'S STERLING GUARANTY AGREEMENT

1. HONG KONG'S STERLING GUARANTY AGREEMENT IS STILL NOT SIGNED BUT DELAY SEEMS RESULT OF PURELY TECHNICAL PROBLEMS AND SHOULD BE OVERCOME SOON. MAIN ISSUE, MINIMUM STERLING PROPORTION (MSP) HAS BEEN RESOLVED. MSP HAS NOW BEEN SET AT 70 PERCENT COMPARED TO EFFECTIVE 80 PERCENT IN PRE-MARCH 31 ARRANGEMENT. MOREOVER, IF TOTAL RESERVES RISE, HKG NEED NOT ADD TO ITS STERLING ASSETS, WHILE IF THEY FALL, GOVERNMENT IS ONLY REQUIRED TO MAINTAIN MSP OF REDUCED TOTAL RESERVES. IN EFFECT, CEILING HAS BEEN PLACED ON HONG KONG'S STERLING HOLDINGS ALTHOUGH IT REMAINS AT HIGH LEVEL.

2. COMMENT: HKG HAS MADE SOME FURTHER PROGRESS IN ITS GOAL OF REDUCING ITS VULNERABILITY TO STERLING FLUCTUATIONS. ON OTHER HAND, NEW FORM OF GUARANTY, I.E., IN TERMS OF STERLING'S TRADE-WEIGHTED EXCHANGE RATE, WOULD APPEAR PROVIDE LESS

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PROTECTION IN THE NEXT YEAR TO AN ECONOMY TIED TO U.S. DOLLAR

THEN EARLIER FORMULA BASED ON STERLING/U.S. DOLLAR EXCHANGE  
RATE.  
CROSS

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** STERLING (CURRENCY), FOREIGN EXCHANGE RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 JUN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** smithrj  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974HONGK06478  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740144-1177  
**From:** HONG KONG  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740666/aaaacelt.tel  
**Line Count:** 64  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** smithrj  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JUN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 JUN 2002 by kelleyw0>; APPROVED <25 FEB 2003 by smithrj>  
**Review Markings:**

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EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** HONG KONG'S STERLING GUARANTY AGREEMENT  
**TAGS:** EFIN, UK, HK  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005